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RUEHKA/AMEMBASSY DHAKA PRIORITY 0471
RUEHCG/AMCONSUL CHENNAI PRIORITY 8059
RUEHDE/AMCONSUL DUBAI PRIORITY 0119
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RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY
RUEHLMC/MILLENNIUM CHALLENGE CORPORATION PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
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C O N F I D E N T I A L SECTION 01 OF 02 COLOMBO 001439

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E.O. 12958: DECL: 10/18/2012
TAGS: [ETRD](#) [ENRG](#) [PREL](#) [KNNP](#) [IR](#) [CE](#)
SUBJECT: SRI LANKA: PRESIDENT PLANS VISIT TO IRAN TO
PROMOTE TRADE TIES

REF: A. COLOMBO 1307

[1](#)B. COLOMBO 676

[1](#)C. COLOMBO 250

Classified By: Ambassador Robert O. Blake, Jr., reasons
1.4 (b) and (d)

[1](#)1. (C) Summary: President Rajapaksa plans to make a state visit to Iran, probably in December. The focus of the visit will be on trade. Iran is Sri Lanka's sixth largest trading partner -- it provides half of Sri Lanka's crude oil imports and is the fourth largest buyer of Sri Lanka's tea. With the bilateral trade flow nearly ten-to-one in Iran's favor, Rajapaksa will want to find ways to increase exports to Iran while seeking renewed Iranian commitments to sell oil at favorable rates. A recent Iranian expression of interest to build an oil refinery in Sri Lanka is unlikely to come to fruition, but may reflect Iranian eagerness to be compensated for oil it has sold Sri Lanka on credit. We doubt that Sri Lanka's effort to cultivate ties to Iran will be worth the possible harm that could come to its already declining international image. We would welcome any messages the Department would like us to convey to the government regarding its ties to Iran, or U.S. objectives there. End summary.

[1](#)2. (C) A well-placed minister told Ambassador recently that Sri Lankan President Rajapaksa plans to make an official visit to Iran in December, after conclusion of the annual budget debate in Parliament. The minister said the visit would focus on trade, including Sri Lankan interest in increasing tourism from Iran. The minister confirmed recent local press reports that Iranian President Ahmadinejad

promised Rajapaksa when the two met in September on the margins of the UN General Assembly that Iran would build an oil refinery in Sri Lanka. The MFA's director general for Economic Affairs confirmed to Econoff October 18 the President's planned visit and its focus on trade.

13. (C) Iran is Sri Lanka's sixth largest trading partner, with total 2006 exports to Iran worth \$83 million and imports of \$759 million. Tea comprised most of the exports to Iran, which is Sri Lanka's fourth largest buyer. Sri Lanka in 2006 bought from Iran half of its total two million metric tons of crude oil imports. Sri Lanka's sole oil refinery, run by the state-owned Ceylon Petroleum Company, is configured to use Iranian sweet light crude blended with Malaysian crude. CPC sources told post that Sri Lanka buys Iranian oil at market prices, but on 45-day credit terms as opposed to the industry norm of thirty days. An oil industry source told us recently however that Sri Lanka has been slow to settle credit purchases with Iran. He speculated that Iran may have conceived of the idea of building a refinery in Sri Lanka with terms that would ensure it would be paid for its oil exports.

14. (SBU) The Sri Lankan mission to the United Nations in Geneva on October 16 released a statement by Sri Lankan Ambassador to Tehran Muhammed Zuhair supporting "Iran's inalienable right to attain peaceful nuclear technology," and adding, "The ambassador denounced the spread of rumors of a US attack against Iran and voiced doubt about such a move adding that Sri Lanka opposed the imposition of new sanctions against the Islamic Republic."

15. (C) Comment: As reported in refs A and B, the Sri Lankan
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Foreign Ministry was slow to issue instructions to the Central Bank and other ministries on compliance with UN Security Council Resolutions 1737 and 1747. In this respect, as in Ambassador Zuhair's statement regarding Iran's right to pursue peaceful nuclear technology, Sri Lanka appears eager to maintain good relations with Iran. President Rajapaksa's visit will continue this approach, and will seek to get more out of it for Sri Lanka, be it a refinery or favorable prices on oil. Sri Lanka evidently calculates that such benefits would be worth the negative international image that close ties with Iran could engender. We doubt this. The minister who spoke to Ambassador Blake acknowledged that previous generous offers from Iran have come to naught. For example, ref C reported that in February Iran announced it would give Sri Lanka \$500 million in aid, including a \$200 million gas power plant. There has been no public sign since then of the money or the plant.

16. (C) Post would welcome any messages the Department would like us to convey to the government regarding its ties to Iran, or U.S. objectives to stop Iran's nuclear program, support for terrorism, and anything else the Department suggest.
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